

Silicon Valley-area hub becomes Tesla factory town



In this file photo, Tesla workers cheer on the first Tesla Model S cars sold during a rally at the Tesla factory. Welcome to Fremont, California, a nondescript suburb of 217,000 tucked in the high-tech region between San Francisco and Silicon Valley where something unique is happening: manufacturing.

Paul Sakuma/AP Photo

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FREMONT, California -- In a busy factory, machinists move sheets of aluminum roll in the back door to be molded, stamped, twisted and notched into high-tech electric cars that sell for more than \$60,000 each.

Down the road in another plant, crews slice solar cells, place them under glass sheets and create panels that ship by the boxful to Europe. Elsewhere in this town, industrial workshops and laboratories buzz with workers building everything from robots to microprocessors.

Welcome to Fremont, California, a nondescript suburb of 217,000 tucked in the high-tech region between San Francisco and Silicon Valley where something unique is happening: manufacturing.

From Tesla Motors, making cutting-edge cars, to Solaria, making solar panels, manufacturers are drawn to Fremont by incentives including a five-year waiver on business taxes, an expedited regulatory process, proximity to Silicon Valley firms and a skilled labor force.

Those were key factors for Sanjiv Malhotra, president of Fremont-based fuel cell maker Oorja Protonics, which looked at several U.S. cities before choosing the California city in 2006. This year he's ramping up his factory and doubling his crew to 35 workers, who are paid between \$14 and \$18 an hour. All work is done onsite.

"One time, we tried outsourcing components to China, and that came back to bite us," he said. "It was going to save us lots of money, but the quality was so poor it ended up costing us deeply."

Parminder Dhaliwal moved to Fremont from a village near Ludhiana, India, three years ago. He works as a manufacturing engineer at Sonic Manufacturing, where about 350 workers assemble printed circuit boards, earning about \$15 an hour. He said their location draws business, because many of their customers, Silicon Valley innovators, want to pop in regularly to see how their orders are being built.

The manufacturing industry, along with an Afghan refugee resettlement program, has made Fremont one of California's most culturally diverse cities, with 50 percent of its residents from Asia, and 14 percent Hispanic.

"People come here from all over for these jobs," Dhaliwal said. "Fremont is that melting pot people speak of. I felt very comfortable going into this community. Everything is open to me. It really does feel like the land of opportunity here."

Today the city boasts more than 110 manufacturing businesses, including 30 working in clean technologies.

During a recent visit, U.S. Rep. Mike Honda, whose district includes Silicon Valley, lauded companies like Apple, Google and Intel for world-changing innovations, but he said it's frustrating to see their products made overseas.

"All of these incredible things have been thought of here, created here and then are manufactured overseas. We want that manufacturing to come back to this country," he said. "We can't allow the next generation of game-changing technologies to be made out of this country."

In a recent survey of Silicon Valley CEOs, fewer than 1 in 5 said they were in manufacturing, while more than half were in technology-related fields ranging from social media to venture capital. Part of the problem, say local leaders, is that California is one of only a few states that taxes manufacturing equipment.

"It is imperative that the state alter this practice to encourage innovation and job creation," said Dennis Cima, senior vice president of the Silicon Valley Leadership Group.

Fremont has a history of being a factory town, largely due to a General Motors plant that opened there 50 years ago. The plant was shuttered in 1982, but it reopened two years later as a joint venture for GM with Toyota under the name New United Motor Manufacturing Inc. When it closed in 2010, 4,600 workers lost jobs, many of whom have now been hired back by Tesla.

Climbing out of the recession, city officials orchestrated this rebound, luring new businesses to corporate parks and still-to-be developed land, selling Fremont's location in one of the world's major hubs of innovation, right off several major freeways, and close to several ports. Fremont is also developing a new train station to ease commuting throughout the Bay Area, and plans a \$26 million downtown upgrade.

"The resources we are putting behind economic and community development create a vibrant place that residents can be proud of and a booming environment that enables companies to create the most cutting-edge technologies and products in the Silicon Valley and across the globe," Mayor Bill Harrison said.

At Tesla motors, vice president of manufacturing Gilbert Passin said that when they came to Fremont just a few years ago, "we had 10 people tucked into a dark office somewhere in the factory." Today, 3,000 employees produce more than 400 vehicles a week, he said, and they're still ramping up.

"There is so much potential to go well beyond where we are," he said. "It's really a superb product, it's extremely clean and it's very beautiful and we're very proud to make it here in Fremont."

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